

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:) CASE NO. 17-35027-H5-11
) (Chapter 11)
H.C. JEFFRIES TOWER) JUDGE RODRIGUEZ
COMPANY, INC.)
) CASE NO. 17-35028-H5-11
Debtor.) (Chapter 11)
) JUDGE RODRIGUEZ
FORD STEEL, LLC)
) Jointly Administered under
Debtor.) CASE NO. 17-35027

2004 EXAMINATION OF
HERBERT C. JEFFRIES
AUGUST 8, 2018

2004 EXAMINATION OF HERBERT C. JEFFRIES,
produced as a witness at the instance of the UNITED
STATES, and duly sworn, was taken in the above-styled and
numbered cause on AUGUST 8, 2018, from 1:04 p.m. to 4:04
p.m., before Cynthia D. Barnett, CSR, RPR, in and for the
State of Texas, reported by machine shorthand at the
offices of Cooper & Scully, 815 Walker Street, Suite
1040, Houston, Texas, pursuant to the Federal Rules of
Civil Procedure and the provisions stated in the record
or attached hereto.

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1 (The reading of the Federal Rule
2 30(b)(5)(A) into the record was waived by all
3 parties present.)

4 HERBERT C. JEFFRIES,
5 having been first duly sworn, testified as
6 follows:

7 EXAMINATION

8 QUESTIONS BY MR. KINCHELOE:

9 Q Mr. Jeffries, would you please introduce
10 yourself for the transcript?

11 A My name is Herbert Jeffries.

12 Q You're the owner of H.C. Jeffries and Ford
13 Steel?

14 A I'm the owner of H.C. Jeffries and Ford Steel.

15 Q Have you ever been deposed before?

16 A Yes.

17 Q How many times?

18 A Once.

19 Q What type of case was it?

20 A It was a -- it was a lawsuit.

21 Q Okay. Subject matter of the lawsuit?

22 A It was business -- let me think how to -- what
23 it would be considered. It was just a business
24 dispute.

25 Q Okay. You understand that you're under oath

1 today?

2 A Yes.

3 Q You understand that we are asking you questions

4 and trying to get you to testify about topics.

5 I mean, for me I'm trying to get information

6 because most of the information is in your head

7 and not mine, but you understand that because

8 you're under oath, we can use your testimony

9 today at a court proceeding later?

10 A I do.

11 Q And you're doing a great job of it already, but

12 you and I both need to be careful and

13 Mr. Ruzinsky as well, not to speak at the same

14 time. Your lawyer may or may not have

15 objections to some of the questions we ask. We

16 may talk about things, but generally she'll make

17 her objection and one of us will say you can

18 still answer and you just go ahead and answer.

19 If you don't understand a question, by

20 all means tell us, you know, I don't understand

21 that question because we want to make sure that

22 you're understanding our questions so that we're

23 getting answers that we understand because

24 neither of us need to have the confusion later

25 where we say well, I didn't understand your

1 question or I didn't understand your answer,
2 okay?

3 A Okay.

4 Q Let's talk about H.C. Jeffries first. When was
5 H.C. Jeffries created?

6 A 1979.

7 Q Okay. Who created it?

8 A I did.

9 Q Okay. Have you -- did you do anything before
10 1979?

11 A I did tower work on a freelance basis from
12 starting around 1975 and then I formed the
13 company in '79.

14 Q What about Ford Steel, when did you create Ford
15 Steel?

16 A 2007 I believe, the best I recall, '6 or '7. I
17 think it may be '7.

18 Q What does Ford Steel do?

19 A It fabricates structural steel, structural
20 components for a wide variety of industries.

21 Q Does it sell to any companies other than H.C.
22 Jeffries?

23 A Yes.

24 Q What companies does it sell to?

25 A It sells to a wide variety of companies

1 primarily in the petro-chem and oil industries.

2 Q Okay. And if you were going to explain H.C.
3 Jeffries to someone who hasn't been involved in
4 this case, what would you say it does?

5 A It -- it sells turnkey projects, sometimes
6 broadcast towers for television and radio
7 industry primarily. And in other words, not
8 like cellular towers, but -- although it's done
9 a few, 99 percent of its business is broadcast.
10 It erects them. It maintains them.

11 Q Towers that is?

12 A Yes, for TV and radio stations all over the
13 United States.

14 Q Why did H.C. Jeffries file bankruptcy?

15 A It was -- I'm not sure how to answer that.

16 Q Well, who made the decision for H.C. Jeffries to
17 file bankruptcy?

18 A I would have to think about that one hard. I --
19 you know, I'm -- again, I'm not sure how to
20 answer that.

21 Q Well, you signed the bankruptcy petition, right?

22 A I believe that's correct, yeah.

23 Q Okay. Did you sign the agreement to engage
24 bankruptcy counsel?

25 A I would have to see the documents. I'm not sure

1 what all -- it's been a long road and a lot of
2 stuff, two different companies. Honestly, I
3 can't remember what all I've signed, but I
4 signed whatever was necessary and needed to be
5 signed.

6 Q Would anyone other than you have had the
7 authority to sign these documents?

8 A I don't know. I'm not an attorney. I'm not
9 sure about that.

10 Q Who is -- you said you owned H.C. Jeffries,
11 right?

12 A Yes.

13 Q Does anyone else own a portion of it, or do you
14 own 100 percent?

15 A 100 percent my wife and I.

16 Q Your wife and you?

17 A Yeah.

18 Q Okay. Who would you say is in charge of H.C.
19 Jeffries?

20 A I am.

21 Q Is anyone else as you would call it in charge of
22 H.C. Jeffries?

23 A There's a variety of people that run different
24 portions of H.C. Jeffries.

25 Q Okay. Who would that be?

1 A I guess I run the field operations and oversee
2 crews. Mary Jeffries, my wife, is -- would be
3 the office manager. Mark McElroy is our CFO and
4 CPA and handles the financial end. And then as
5 you go on, there's other supervisors and so
6 forth, other field supervisors and so forth.

7 Q Now, in terms of the business, does your wife
8 report to you?

9 A Sometimes I report to her.

10 Q Right. I'm talking about at the business, not
11 at home.

12 A No, I'm talking business, too.

13 Q Okay. So she is responsible for the business
14 over you?

15 A No, I wouldn't say she's over me. I'm the
16 president.

17 Q Okay. Does she have an official title?

18 A Office manager.

19 Q Does she have any other titles with H.C.
20 Jeffries?

21 A No.

22 Q Is there a vice president of H.C. Jeffries?

23 A No.

24 Q Are there any other officers other than you?

25 A I don't know. I would have to look back and see

1 again. That's corporate documents. That gets
2 back to my attorneys and people that lay stuff
3 out and, again, I build towers.

4 Q Let me phrase it to you this way. Are you aware
5 of anyone else holding an officer position in
6 H.C. Jeffries other than yourself?

7 A Not to my knowledge, but, again, I would have to
8 look at the corporate documents, how it was set
9 up long ago. I don't know.

10 Q Okay. To your knowledge, does anyone other than
11 you have authority to file bankruptcy for the
12 company?

13 A I'm not sure -- I don't recall how all that
14 works, so, again, without speaking with my
15 attorneys, I don't know how to answer that.

16 Q Okay. Has H.C. Jeffries Tower Company had any
17 financial problems over the last five years?

18 A Yes.

19 Q What kind of financial problems has it had?

20 A Just in general, financial problems. I don't
21 know how else to describe it.

22 Q Okay.

23 A But all of that's been presented already
24 through -- to the courts and everyone involved
25 during this, so...

1 Q Where would I look to find that information
2 about H.C. Jeffries' financial problems?

3 A You would talk to my attorney.

4 Q Well, your attorney doesn't want to testify so
5 I've got to talk to you. Financial problems,
6 were you having trouble making payroll?

7 A Again, I would have to look back and see what we
8 had problems with. I'm not sure.

9 Q Did you have -- did you have problems making
10 loan payments?

11 A Again, I would have to look back and talk to the
12 people who handle the financial and review it
13 because there's so many documents. I -- you
14 know, I would have to look back and see, but I
15 would have to see what loans we're talking
16 about, you know. I'd need that information in
17 front of me to do that.

18 Q Did you have -- did H.C. Jeffries have trouble
19 paying suppliers?

20 A Yes, we did have trouble paying suppliers. And
21 the -- you know, and we did have trouble paying
22 certain loan payments. I do know that.

23 Q Okay. Like which ones?

24 A Well, I know that we had trouble paying our
25 mortgage.

1 Q The H.C. Jeffries?

2 A But not on -- again, well, I'm getting crossed
3 up here now. That's Ford. That's what I mean,
4 I would have to look back because we got two
5 cases going together and it's confusing. But
6 the Tower Company didn't have a mortgage, so in
7 terms of note payments on Tower, I don't even
8 remember what note payments we had, but I think
9 there were some suppliers. And I know there's
10 some suppliers that we had trouble. We were
11 late in paying or maybe still owe. So note
12 payments, I'm not sure about on Tower.

13 Q Did -- I call it H.C. Jeffries. You're calling
14 it Tower. Would you prefer that I call it Tower
15 or H.C. Jeffries?

16 A H.C. Jeffries is fine.

17 Q Okay.

18 A I just...

19 Q Does H.C. Jeffries have any lease payments?

20 A Prior to filing or since filing?

21 Q Well, let's -- prior to filing, did it have any
22 lease payments?

23 A I think it did, but I'm not sure which ones.

24 Q Who would it have had lease payments to?

25 A I think it had office lease payments to Ford

1 Steel.

2 Q Okay. Do you know how much that lease was?

3 A I don't recall.

4 Q Since filing bankruptcy has H.C. Jeffries had
5 any lease payments?

6 A Since filing it has no lease payments that I'm
7 aware of other than maybe to Ford Steel. Any
8 others I'm not sure. I know we have some
9 rentals, but they're month to month, so I'm not
10 sure regarding leases. I may -- I would have to
11 again speak with people that handle those
12 departments in our company.

13 Q Who would be the most knowledgeable person to
14 talk to Mr. Ruzinsky and I about --

15 A Mark McElroy.

16 Q Okay. Mr. McElroy?

17 Would anyone else know about that?

18 A He would be the primary on that.

19 Q Would there be anyone else? Not just who's the
20 best.

21 A Without knowing what they are, I'm not sure who
22 would know, so again...

23 Q Who would -- who else would know about the
24 financial problems before bankruptcy?

25 A Who would know about financial problems before

1 bankruptcy? I'm not sure who all would know.

2 Q Okay. Who all would know about tax problems
3 before bankruptcy?

4 A I don't know who all would know. I don't know
5 who -- everybody would -- I don't know.

6 Q Okay. Who -- do you know anybody who would know
7 about tax problems?

8 A Well, it's a public record so I guess everybody
9 who reads a public record would know.

10 Q Are there any people at your company that would
11 know about your company's tax problems?

12 A Well, Mark McElroy would. Mary would, my wife;
13 myself; and I guess, you know, people that I've
14 discussed it with, you know, attorneys --

15 Q Not asking --

16 A -- so forth.

17 Q -- about attorneys.

18 A Anybody else -- my -- Katherine, my daughter
19 works there. She would know. We discuss it
20 with her. Pretty much anybody else, we don't
21 discuss that with them so I'm not sure who else
22 would know, but to my knowledge, those are the
23 ones that know.

24 Q What does Katherine do for H.C. Jeffries?

25 A Katherine oversees the -- well, for H.C.

1 Jeffries, she handles the safety side, safety
2 reports with our personnel in the field, gets
3 involved with the training that's necessary and
4 OSHA compliance, things of that nature.

5 Q Does she do the same thing for Ford Steel?

6 A She does for Ford that, in addition to many
7 other things with Ford. She does -- handles our
8 certifications which Ford Steel holds many
9 certifications which take countless hours doing
10 and years to achieve and lots of long audits to
11 maintain. So -- and those are certifications
12 for fabrication and a lot of them specifically
13 for the oil and gas industry. We hold some
14 pretty specialized certifications in that area.

15 Q How familiar are you with the income of H.C.
16 Jeffries?

17 A With the income? I'm -- I'm somewhat familiar
18 with it.

19 Q I mean, you're the owner, right?

20 A Yeah.

21 Q And income -- if H.C. Jeffries isn't making
22 money, you don't make money, right?

23 A That's right.

24 Q Okay. How has the income for H.C. Jeffries been
25 over the last five years?

1 A It -- it was down for not all the last five
2 years, but I would say for the first few of that
3 last five years, it was down after, you know --
4 there was some changes in the economy that had a
5 great effect on it as it did a lot of
6 businesses.

7 Q What kind of changes hurt H.C. Jeffries' income?

8 A Well, there were, let's say, maybe beyond the
9 last five years, but things that early on that
10 set in place that caused a long-term,
11 several-year deal and that would be starting
12 around 2008 or '9. There was a recession that
13 hit -- hit hard, did the whole industry because
14 the broadcast industry got hit particularly hard
15 with that. Car dealers stopped advertising and
16 radio stations' and TV stations' incomes
17 plummeted and so that took a few years to start
18 coming back. But when it came back, it never
19 came back fully because there were so many new
20 forms of advertising via the Internet and these
21 phones and just things had changed. And so when
22 it came back, it came back maybe only halfway.

23 So a lot of TV and radio stations
24 tended to put off maintenance, new development
25 plan projects as long as they could. That was

1 the thing that, you know, probably hurt a lot,
2 so we started -- we looked in other areas, other
3 types of towers to start diversifying until it
4 came back. So slowly it started coming back.
5 We also started chasing other customers. High
6 definition TV came along and it was a short shot
7 in the arm.

8 But then there's a new thing called
9 repack and it's come out. Government's paying
10 for it and it's completely turned things around.
11 And we've known it was coming. It was mandated
12 by the government, it was funded by the
13 government. And so we have been ramping up that
14 for a while and now we're well in that and we've
15 got projects booked for many years.

16 Q About how many years do you have projects --

17 A Currently I've got --

18 Q I'm sorry. You've got to let me finish asking
19 my questions.

20 A Okay.

21 Q About from how many years from today's date do
22 you have projects booked for repack?

23 A Three years.

24 Q Three years.

25 A A little over \$16 million I have in awarded

1 contracts currently.

2 Q What is your profit margin on an awarded
3 contract?

4 A My profit margins range from 28 to 40 percent
5 depending on the project in that particular
6 industry.

7 Q Is it dependent on the price of steel?

8 A No, not in Tower Company.

9 Q Okay. Explain why.

10 A Steel plays a small part of what Tower Company
11 does. Although it's an important part, maybe on
12 the average each job that we do for the Tower
13 Company, we might about -- on a million dollar
14 job, there might be 100 to \$150,000 worth of
15 steel. So while Ford does benefit, sometimes
16 it's just maintenance. Sometimes the steel is a
17 little higher. I'm just saying average, but
18 it's primarily about the work, the ability, the
19 equipment, the machinery and the knowledge to
20 put 10-, 15-ton antennas 2,000 feet up in the
21 air and having the rigging to do it.

22 There's literally less than five
23 companies in the United States qualified to do
24 up to 2,000-foot towers and mine is one of them.
25 Mine is known better than any other company and

1 there's about 900 stations that have to be done
2 in the next four to five years. There will be
3 extensions. There are mid-size projects and
4 smaller projects like mountaintop projects,
5 stuff where other crews -- some other crews can
6 do it.

7 Even by the government's own
8 publications, they list only 18 crews total for
9 small, medium and large projects that are
10 qualified to do this work. You don't learn it
11 in the book. You can't teach it overnight.
12 Either you've got the experience and background
13 because, again, a lot of structures we deal
14 with, those antennas and towers, sometimes one
15 project is -- a tower and antenna and line may
16 be 6, \$7 million dollars and so they're not
17 going to trust inexperienced people with that
18 type of investment, not to mention the safety
19 involved.

20 Q You said that H.C. Jeffries was looking into
21 building other types of towers. What other
22 types of towers is H.C. Jeffries looking into?

23 A What I said a while ago when I said I was
24 looking at diversifying the towers and it was --
25 and that was in the -- one area, for example,

1 was the pipeline industry. All the pipelines,
2 which there's thousands and thousands of miles
3 all over, the major pipeline owners will be the
4 oil companies, the chemical companies and so
5 forth. They have towers and they're usually
6 280- to 350-foot towers to put their microwave
7 antennas on that they link from tower to tower.
8 They'll be about 30 miles apart and they'll go
9 the length of a pipeline all the way across the
10 United States. So it's a significant amount of
11 work.

12 By doing that, picked up a new
13 customer that also I do -- Ford does a lot of
14 work for this particular chemical company, but
15 by us soliciting work for them, they gave us 22
16 towers to annually inspect and replace as
17 necessary. We've already replaced I think four
18 or five of them and we do annual inspections and
19 so far in the last three years, we've done just
20 regarding those towers maybe at least one-half
21 to \$2 million range for that one customer. So
22 those types of other customers that we have been
23 trying to chase that we normally wouldn't have
24 chased.

25 Q Well, correct me if this is wrong, but sounds

1 like the last two to three years, business has
2 been pretty good for H.C. Jeffries; is that
3 correct?

4 A Well, the broadcast stuff hasn't taken off until
5 literally not even the first part of this year.
6 It's been good since we filed bankruptcy which
7 has been -- I again need to check the record,
8 but I think it's been 11 months. The first few
9 months was still kind of slow, but we had
10 contracts building and in place for this
11 onslaught of work the next few years. So the
12 last few months have really taken off and
13 therefore, this year, calendar year we're going
14 to have our best year we've ever had since being
15 in business --

16 Q All right.

17 A -- on Tower Company.

18 Q For calendar year 2018?

19 A Yes, sir.

20 Q You said a couple of times -- I don't know if
21 you said in court, but you've said it to me and
22 Mr. Ruzinsky outside the hall. You've talked
23 about the work being seasonal. You've talked
24 about December and January slowing down. Is my
25 understanding on that correct?

1 A That was referring to the Ford Steel side.

2 Q Ford Steel. Okay.

3 A Yes.

4 Q Let's talk about that in a second then.

5 Have your expenses changed
6 significantly from before bankruptcy to after
7 bankruptcy?

8 A Like are you referring to like cost of doing --

9 Q And let me ask you -- stop because that was a
10 really bad question.

11 The expenses for H.C. Jeffries, have
12 those changed significantly since filing
13 bankruptcy?

14 A Well, without the feel of the market, it's
15 difficult to say, but I can say we're a lot
16 busier, therefore, we've had to add some
17 additional help, you know, so proportionately
18 things have gone up, if that's the right word
19 because we're busier, so there's more material
20 and more travel and this and that. So in that
21 way it's changed, but that's in a good way it's
22 changed.

23 Q It sounds from what you have been saying that
24 labor is the biggest expense for H.C. Jeffries;
25 is that right?

1 A That would be correct, yes.

2 Q Who is responsible for making sure payroll is
3 done within H.C. Jeffries?

4 A Well, the ultimate -- what do you mean being
5 done?

6 Q Who is making sure that -- who is responsible
7 for making sure employees get paid?

8 A Well, it's a group of people.

9 Q Who?

10 A That would be Mary oversees that ensuring that
11 everyone is taken care of and everybody is paid
12 and per diems are met and so forth. She has a
13 bookkeeping assistant assist her.

14 Q Who is that?

15 A Her name is -- her name is Sara.

16 Q What is Sara's last name?

17 A It's Chinese and I can't remember how to -- I
18 think it's Wang, but I'm not 100 percent.

19 Q Okay.

20 A I don't remember because all I've ever called
21 her is Sara. She's been with us, you know,
22 maybe a year or so -- no, a little over a year,
23 maybe a year and a half, something like that.
24 But she just does what Mary instructs her to do.

25 Q Okay.

1 A And then I sign all the checks.

2 Q Does anyone else have the authority to sign
3 checks?

4 A No, just me.

5 Q Do you look at any explanations of check amounts
6 before you sign the checks?

7 A Sometimes if I think it needs looking at.

8 Q Okay. Like what kind of thing would you want
9 more information about?

10 A I don't know. I mean, there's so many checks
11 being processed. I mean, I -- if it's a normal
12 payroll check -- I mean, like what Sara does, if
13 she can -- she checks their timesheets against,
14 you know, the job specific to where they were
15 applying those hours and she'll compare them to
16 other employees on the same job that should have
17 about the same hours. So if there's a question
18 like why does this one have so many hours,
19 that's where I would get involved, something
20 like that. That's just an example.

21 Q Okay.

22 A And then I would either go well, I need to
23 contact him to see, it should have been the same
24 or I had this guy drive to the next city to pick
25 up some tools and come back, you know, so that's

1 how I would get involved with overseeing it.

2 Q Who is responsible for making sure tax
3 withholdings are made on employee wages?

4 A Who's responsible for making sure the
5 withholding is done?

6 Q Yes.

7 A That would be Mary, my wife.

8 Q Do you know why -- well, I guess let me ask
9 another question. Do you know whether she has
10 withheld taxes from employee payroll?

11 A If she's withheld taxes, I mean, she -- she does
12 all of the reports and everything and all the
13 filings of the reports and like now since, you
14 know, for -- I mean, every week we report it and
15 send the payments in weekly since filing. Never
16 missed a beat.

17 Q Why did H.C. Jeffries not do that before filing
18 bankruptcy?

19 A We did sometimes, often. I know that often we
20 got behind on certain things. It was -- and in
21 those cases, it's always been the intention to
22 make them -- to pay them at a certain timeline
23 whether it be quarterly or whatever. Sometimes
24 certain things maybe wouldn't come through, a
25 variety of reasons, payments, and therefore,

1 they got delayed. And we would meet with our
2 IRS representative and have meetings from time
3 to time, say this is what we're in and they
4 recommend okay, this is what you need to do,
5 let's work on this and that's how we would move
6 forward.

7 Q This company has been around since 1979, right?

8 A Yes.

9 Q And it's presumably made payroll tax payments
10 for most of its history, right?

11 A Well, before we didn't -- have the right word --
12 up until a certain date until the -- I think it
13 was in -- I'm not sure of the date, late '90s,
14 early 2000, 2001, everything was contract labor
15 before that and so we didn't move to assist them
16 where we were taking taxes out until a certain
17 date. And I don't recall exactly what the date
18 was, but that's approximately when it was.

19 Q Whenever that change happened from contract
20 labor to employees being paid wages -- and it
21 looks from the records I have like employment
22 taxes were taken out; is that your
23 understanding?

24 A They taken out and paid and we got -- we -- I
25 don't know what timeframes or whatever, but yes,

1 taxes were paid and we had some times when
2 circumstances beyond our control didn't allow us
3 to pay and then we would resume paying or pay
4 again, and so...

5 Q What kind of circumstances?

6 A I don't know. That -- I'm going to have to look
7 back. You're talking years and years and years
8 ago throughout a long time and I mean, we might
9 have a hiccup here and there so I don't even
10 remember dates or anything like that. It's
11 just...

12 Q I'm not asking dates. I'm just asking generally
13 what kind of hiccups would you have?

14 A I don't know. Again, I don't know. Like I
15 said, I'm in the field, in the office sometime
16 and -- but you're talking thousands and
17 thousands of business items I've dealt with for
18 many years in these two companies. I can't
19 remember every deal. It's just not even
20 possible.

21 Q I mean, clearly you know the tower industry. I
22 mean, you're not going to disagree with me on
23 that, right?

24 A No, I know the tower industry.

25 Q I mean, you said you're one of five companies --

1 A Yes.

2 Q -- that can do this type of work. You have been
3 doing it for longer than I have been alive.

4 A Yeah.

5 Q You know your profit margin on every job, you
6 know, is between 28 and 40 percent, right?

7 A Currently.

8 Q Currently but you know that information?

9 A That's now, yeah.

10 Q You know not only how to put this tower up but
11 you know that you can go to other industries and
12 say I've got the skill set, let me apply it to
13 your industry, right?

14 A I know it now. I know more about --
15 particularly through this process I have been
16 going through, I've learned more about the
17 financial stuff because I need to know more
18 about it.

19 Q Okay. Well, in learning more about the
20 financial issues for this process, have you
21 talked to Mr. McElroy about what the problems
22 were that got you into this?

23 A We've talked about resolutions of problems.

24 Q All right. Have you ever talked about the
25 problems that caused this?

1 A Perhaps. I don't recall. I don't know.

2 Obviously every time there's a problem, you try
3 to figure out what the problem was and how do we
4 solve it. So I'm sure we've discussed things,
5 but any one specific, any one thing, I don't
6 know.

7 Q What kind of -- you said you talked about
8 resolutions of problems. What kind of
9 resolutions have you talked about?

10 A Well, I don't know. I'm just talking about
11 problems in general. You know, we discuss what
12 do we need to do to resolve this particular
13 problem. As I said, more so lately than ever.

14 Q Have you talked about what to do regarding the
15 tax problem?

16 A This current problem? Absolutely we talked
17 about that extensively.

18 Q Has Mr. McElroy talked to you about what caused
19 the tax problem?

20 A No, we've focused on what we need to do to solve
21 the problem.

22 Q This is your company that you own all of, right?

23 A Yes, it is.

24 Q So for H.C. Jeffries, you've never asked
25 Mr. McElroy or anyone else what caused this

1 problem?

2 A Again, that's a combination of things, economy,
3 that's my thoughts. I've never really sat down
4 and just discussed that. It's, like I said,
5 solve the problems. It's a variety of things as
6 many companies suffered through the years,
7 differences. A lot of the companies haven't
8 made it or still haven't paid it, and I've got
9 the ability to pay this now that we're lined up
10 to do it and we're taking care of things.

11 Q If you were going to average your -- and let me
12 start over because that was a bad start.

13 For H.C. Jeffries if you were going to
14 average its net monthly income, what do you
15 think the average is?

16 A Only because I've looked at this the last couple
17 of days, prepared this meeting, I think
18 currently and, again, I would have to defer to
19 Mark to confirm this, but -- I won't speculate.
20 I'm not 100 percent sure. I would have to ask
21 him.

22 Q What is your belief as to what it is?

23 A For Tower currently -- I don't want to guess.
24 It's too important, so...

25 Q I'm not asking you to guess. I'm asking you to

1 give me what your understanding is.

2 A Well, that would be a guess.

3 Q Well, tell me what your guess is based on your
4 understanding.

5 A I don't want to guess.

6 Q Okay. I don't want to make this contentious --

7 A I don't either.

8 Q -- and I'm only asking what your understanding
9 is because we're going to go to a hearing and if
10 your understanding is wrong, your attorney is
11 going to have a chance to say, you know what,
12 Mr. Jeffries doesn't know what he's talking
13 about, Mr. McElroy has all the brains. But I'm
14 asking your understanding just to see what you
15 think about the business.

16 A I'm not going to guess.

17 Q Okay. We can raise this with the Court later,
18 but I'm going to move on for now.

19 A We tried to bring him in to show you the facts
20 and you wouldn't allow him in, so...

21 Q I'm trying to figure out what your knowledge is.

22 A The facts are on paper. That's -- you know, why
23 should I guess when it's right there in the room
24 on paper to show you in two seconds, so...

25 Q What paper would I look at to figure out that

1 information?

2 A The papers that Mark McElroy brought to show
3 you.

4 Q What papers did he bring?

5 A Quite a few.

6 Q Why don't we take a break and you can grab
7 Mr. McElroy's papers and bring them in; does
8 that sound fair?

9 A I need Mr. McElroy to present those to you
10 because, again, I build towers and he talks
11 numbers.

12 Q Okay.

13 MR. KINCHELOE: Well, do you want
14 Mr. McElroy's papers as exhibits for today?

15 MS. KOENIG: Not if Mr. Jeffries can't
16 testify to them.

17 MR. KINCHELOE: Okay.

18 Q (BY MR. KINCHELOE) All right. Well, then
19 you're telling me that you're not willing to
20 answer a question about your understanding about
21 the net income of H.C. Jeffries; is that
22 correct?

23 MS. KOENIG: I'm going to object this
24 time. It's been asked multiple times and the
25 documents are the monthly operating reports that

1 will show you exactly what the average monthly
2 income is.

3 MR. KINCHELOE: Okay.

4 Q (BY MR. KINCHELOE) Mr. Jeffries, is your
5 attorney's statement correct?

6 A Yes.

7 Q Okay. I'll move on then.

8 (Exhibit No. 1 marked.)

9 Q (BY MR. KINCHELOE) All right. I'm going to
10 mark this document as Exhibit 1. It's your
11 schedule statement of financial affairs for H.C.
12 Jeffries Tower Company and I'll hand you the one
13 I've marked, so try to be careful with it. It's
14 going with the court reporter for when she
15 leaves and I'll hand a copy to your attorney.
16 It's the same document that's been filed.

17 MR. KINCHELOE: Sir, do you need
18 another one?

19 MR. WUEST: Sure. Thank you.

20 Q (BY MR. KINCHELOE) At the very top of the
21 document you see where it has page numbers and
22 it says page whatever of 46?

23 A Uh-huh, yes.

24 Q Okay. All right. I want you to turn to
25 Page 31. Do you have Page 31 front of you?

1 Yeah, I think it's going to be that one.

2 A Yeah, there it is.

3 Q Do you see at the very bottom of that page it
4 lists Tower Aviation Management?

5 A Yes.

6 Q What is Tower Aviation Management?

7 A It was a charter company that I owned --

8 Q Okay.

9 A -- and sold and all the proceeds went to pay IRS
10 debt that it had.

11 Q You sold the business itself; you sold Tower
12 Aviation Management?

13 A I sold the company, the charter company, the
14 certificate and the airplanes.

15 Q Okay. How many airplanes did it have?

16 A Two.

17 Q What kind of airplanes?

18 A King Airs.

19 Q And you sold both of them?

20 A Yes, I sold both of them.

21 Q Who did you sell them to?

22 A Sold one with the charter and the other sold to
23 a scrap company which they literally took it
24 apart and broke it apart to sell for parts and
25 that was it.

1 Q Did you transfer the second airplane to yourself
2 before you sent it to the scrap company?

3 A I had to separate it for -- because if it hadn't
4 have been separated, then the owners would have
5 got it and the title company, it was something
6 they required because the new owners of the
7 charter company and the airplane the way it was
8 written, Tower Aviation since they're buying the
9 company was still the owner of the aircraft and
10 they had to separate it. Otherwise, they would
11 have had title to it when it closed. So it had
12 to be separated from them since they didn't own
13 it or want responsibility or liability of it, so
14 it had to be transferred to my name in order to
15 sell it.

16 Q When did you sell Tower Aviation Management?

17 A I think it was officially December, I think.

18 Q December of 2017?

19 A Yes, sir.

20 Q Who owns it now?

21 A I think it was. I don't -- I don't -- a
22 partnership owns it and I'm not -- I don't
23 remember who all the partnership -- there's two
24 primaries and they're based out of Florida.

25 Q Do you know who those partners are?

1 A Yes, I do know who they are. One is David
2 Garcia and I'm just trying to remember how
3 they -- because they had other companies and I
4 don't remember how it was structured, I mean,
5 who was the owner. But the partner that owns
6 the company that bought it or whether he
7 individually did it, I can't remember without
8 going back through all of that, but David Garcia
9 was one and --

10 Q How do you know Mr. Garcia?

11 A Only through -- because I hired a broker to help
12 me sell the company and he brought them forward.

13 Q Okay. To --

14 A And that was Garcia. And the other gentleman
15 was from Mexico and they own an aviation company
16 in Mexico and his name was -- thought I could
17 remember his name, but honestly it escapes me
18 right now.

19 Q Why was H.C. Jeffries making all these transfers
20 that are in Exhibit 1 to Tower Aviation
21 Management?

22 A It was trying to help the company.

23 Q It was trying to help Tower Aviation?

24 A Until it could start generating more income.
25 There was times when Tower Aviation did generate

1 good income and it was -- it was funds that --
2 Tower would provide funds to Tower Company as
3 well -- Tower Aviation would provide funds to
4 H.C. Jeffries Tower Company as well. But H.C.
5 Jeffries Tower Company provided more to it than
6 it generated and paid back. We -- would you
7 like me to offer a little more clarity on that?

8 Q Sure.

9 A It was purchased -- the first plane was
10 purchased for business reasons because when
11 the -- there was a pretty big boom in the tower
12 industry in the mid and early to mid 2000s. We
13 were doing a lot of work nationwide. In order
14 to do this work for these publicly traded
15 companies that were working us coast to coast,
16 we were chartering a lot of aircraft for a
17 period of about two, two and a half years. So a
18 lot of work was booked and changes and new
19 growth for these particular companies.

20 So I decided to acquire an aircraft
21 for the company use. For the record, I'm not a
22 pilot. I never wanted to be a pilot. It's not
23 a hobby. I've gone a year and not even been on
24 the plane. So it was for business reasons
25 strictly. And we put it on a 135 certificate in

1 Austin to supplement its expense and it was a
2 70/30 split.

3 So the corporate, our company use
4 after we got it and got it on there started to
5 diminish when we got towards -- particularly
6 when you got up to where the economy tanked that
7 we talked about earlier. The stock of one of
8 the big public trading companies I was working
9 with went from 30 bucks down to \$0.80 and so
10 things changed a lot with what -- the project
11 development stuff, a lot changed.

12 So we ran another charter certificate
13 in Austin and developed a clientele and then we
14 decided to go for our own charter certificate
15 because we was a 70/30 split and wanted to
16 continue to make it into a business, a better
17 business, one that would make more profit and we
18 saw the need. We started -- we got the 135.
19 That turned out to be a two-year process.

20 It was very expensive, but we
21 developed a good clientele with some -- a lot of
22 politicians, celebrities and government
23 officials and US senators. And we have a
24 good -- had a good customer base and we were
25 growing and making money. So the point is it

1 wasn't a hobby. There was a need. And then
2 things changed and...

3 Q When did H.C. Jeffries stop chartering planes
4 from Tower Aviation Management?

5 A When did it stop chartering from the company?

6 Q Correct.

7 A I don't know. I would have to look back and see
8 what those dates are. Actually I --

9 Q More than a year ago?

10 A Oh, yeah, it hasn't chartered anything in a
11 year.

12 Q More than two years ago?

13 A Possibly, but I'm not sure.

14 Q Okay. So these payments to Tower Aviation
15 Management, H.C. Jeffries didn't really get
16 anything out of them, right?

17 A It didn't get anything back from them, no. I
18 mean, there were monies back and forth which is
19 some of the documentation Mark brought to show
20 you because it was outlined what the questions
21 were to be, but -- but Tower Company didn't get
22 paid back all of it. They got paid back some
23 through the years, but definitely there's still
24 a debt owed to Tower Aviation to that. But
25 it's -- the company's, you know, gone and

1 dissolved and -- not dissolved, but sold and
2 so...

3 Q Now, you filed separate plans for H.C. Jeffries
4 and Ford Steel, right?

5 A Filed separate plans?

6 Q Correct. If you don't know the answer, you can
7 tell me you don't know.

8 A I -- I'm trying to process what you mean by
9 that, but...

10 MR. WUEST: If you don't understand
11 the question --

12 A Yeah, I don't understand the question. You mean
13 separate workout plans --

14 Q (BY MR. KINCHELOE) Yes.

15 A -- yeah, that we've filed?

16 Q Yes.

17 A Well, we filed combined, both companies in the
18 court. The workout plans I believe are
19 separate, but I'm not 100 percent sure.

20 Q Well, the plan for Ford Steel is to try to sell
21 some real property, correct?

22 A Try to refinance some real property. And yes,
23 in that respect we did -- we are filing separate
24 plans. I believe that's correct, yes.

25 Q Okay. Well, let me understand this. Ford

1 Steel, the -- I say the plan, the strategy to
2 reorganize is to spend the next 11 or 12
3 months -- I understood it to either sell or
4 refinance. Are you saying that that's
5 incorrect?

6 A Well, it was to sell or refinance, that's
7 correct.

8 Q Okay.

9 A We have spoken with people about that and we do
10 have two proposals from two different groups
11 currently and so we've made a lot of progress.

12 Q Who are these groups?

13 A I'm not sure that I can say that but just
14 because I'm not sure. You know, so I'll need to
15 talk with my attorney about what I can and can't
16 say.

17 Q Let's take a break. I want you to talk to your
18 attorney because I don't want you to violate any
19 confidentiality agreements and if we need to do
20 some sort of protective order, we can talk about
21 that. But at the same time if you've got
22 proposals, I certainly would like to know about
23 them and I'm guessing Mr. Ruzinsky would, too.

24 MR. RUZINSKY: I would, too.

25 MR. KINCHELOE: All right. We'll go

1 off the record.

2 (A recess was taken.)

3 Q (BY MR. KINCHELOE) All right. Mr. Jeffries,
4 let's talk about the proposals you've received.

5 A Okay.

6 Q We'll talk in general terms first and then we'll
7 talk more specifically. At that point your
8 attorney may raise some issues and we'll deal
9 with it as they come up. You said you've got
10 two proposals right now; is that correct?

11 A That's correct.

12 Q Are they written or oral proposals?

13 A Written.

14 Q Okay. Has the other party signed the proposal?

15 A Yes, they're signed proposals, to my knowledge.
16 They made a presentation and signed it and sent
17 it, yeah.

18 Q Has anyone deposited any earnest money anywhere?

19 A No, no. They're just proposals so far.

20 Q Generally speaking, what would the proposal be?

21 A The initial proposal on one of them was based on
22 50 percent property value. They offered 4
23 million on the property and they also don't
24 usually do equipment, but they offered a million
25 on the equipment. And that was -- I may be a

1 little off on this, but it's amortized over --
2 it was either 20 or 30 years.

3 Q I'm sorry. Amortized -- let me back up because
4 I think we're probably speaking too generally
5 for me to understand. Are you saying this
6 proposal would be to loan?

7 A Yes.

8 Q Okay. So somebody would loan about
9 \$5 million --

10 A Yes.

11 Q -- to H.C. Jeffries?

12 A It was actually to Ford Steel.

13 Q Okay.

14 A This is -- so that's what I'm -- so we're not
15 ready to do Ford Steel yet or...

16 Q Let's be clear because I -- let's talk about
17 H.C. Jeffries and then we'll switch to Ford
18 Steel.

19 A Okay.

20 Q Have there been any proposals from anyone
21 looking to buy H.C. Jeffries?

22 A No.

23 Q Okay.

24 A None.

25 Q And so we're clear, this is for a loan to be

1 made to Ford Steel?

2 A H.C. Jeffries is going to have no problem paying
3 its debt.

4 Q Okay. But this is a loan we're talking about to
5 Ford Steel?

6 A Yeah, this was the Ford Steel. I'm sorry if I
7 got that confused.

8 Q No, that's okay. That's why I said at the
9 beginning if you didn't understand something to
10 ask me, so we're all doing what we're supposed
11 to do.

12 So Ford Steel, the proposal is to loan
13 \$5 million and to repay it over you said 20 to
14 30 years.

15 A Yeah, it's amortized and I think combined --
16 again, I don't have it in front of me. I don't
17 have -- Mark has all that but our -- the
18 property payment was 40-something a month and
19 the -- the equipment -- and their proposal is
20 like 20, but we're going out to other people for
21 equipment because we know the equipment's going
22 to appraise -- we're still waiting on the
23 appraisal to come in. We have the old
24 appraisal. We know the equipment's going to
25 appraise for over 3 million and we're looking

1 for a higher amount.

2 And we have meetings on Monday with
3 this group. I guess Monday, they're coming.
4 They have been in the plant before. They've
5 thoroughly researched everything and it's been
6 going on a while, months, and they're --
7 initially said they would do 50 to -- yeah, 50
8 to 60 percent loan to equity value and so this
9 is their initial proposal and we're set to meet
10 and renegotiate the -- said give us your
11 counter, we're ready to negotiate, so anyway.

12 Q What would those loan proceeds be used for?

13 A Well, first of all, that's company one and we
14 have a second company, similar proposal. I
15 don't remember the details on it. Both are
16 willing to negotiate higher. We already know
17 we're going to get higher than that. We're
18 confident and our goal is to get to six.

19 And the funds will be used to pay off
20 Bank & Trust entirely, the county taxes I
21 believe it is entirely, Equitable entirely, and
22 then pay whatever was left over and I think it's
23 like two and a half million to Internal Revenue
24 and the -- and then with our backlog, our work
25 what we have coming sustaining the payments, we

1 have no problem meeting the balance of the -- of
2 the IRS note. And it's our intention to borrow
3 enough from other areas or come up with enough
4 to take IRS out early on the Ford Steel side.
5 That's our intention.

6 We -- but we have a good plan. We
7 have a lot of backlog work contracts and real
8 good proposals in place to support it. And
9 while we've asked for a year in our plan to
10 accomplish that, if we choose to go after next
11 week's negotiations with either one of these
12 companies, one in particular, either one of
13 them, we could close they said in 90 days. We
14 want to leave the protection to go longer, you
15 know, because we know how things go. It could
16 take four months, but certainly it's in our
17 interest as well as everybody else's for us to
18 do this immediately.

19 And so that's our goal. We know we
20 can get there because we're very close. So any
21 further details would have to come from the
22 documents and Mark can answer more in-depth
23 questions at such a time you might be
24 interested.

25 Q Have you thought of what your monthly payment

1 would be if you borrowed \$5 million over 20 to
2 30 years?

3 A Yeah, I have. There's a balloon on this and
4 currently the proposed balloon was three years.
5 They're flexible, three to five years. Anyway,
6 the -- our plan is to -- well, we're at great
7 reductions at the time we get to that point.

8 Q Reductions in what?

9 A In what's owed. And this plan is going to be
10 beyond -- while we may have other creditors to
11 pay in the final year, this plan and, you know,
12 if I'm off a year or two or anything like that,
13 but this plan would -- of course, immediately
14 Equitable is taken out and the others and this
15 plan would take us beyond what the IRS gets paid
16 out to. So the balloon -- I mean, I'm sorry, I
17 said that wrong. But the balloon payments after
18 IRS is taken out.

19 Q Do you know how -- the dollar amount of the
20 monthly payment between the time it closes and
21 the time of the balloon?

22 A Well, until we finish structuring the deal, no.
23 The proposed amount to the first company that's
24 made the proposal, the real estate is
25 40-something thousand. I don't remember -- I

1 know it was in the 40s.

2 Q Per month?

3 A Yes, sir.

4 Q Okay.

5 A And the -- I don't remember the -- their
6 proposal on the million on the equipment because
7 it wasn't structured the same. It wasn't the
8 same length of time, amortized all that. I
9 don't remember how it was. I just remember that
10 it was about a \$20,000 payment if we went with
11 them.

12 We have other sources we were looking
13 at to go with the equipment. There's a third
14 company that we've dealt with a long time.
15 Matter of fact, they're the ones that brought
16 these two companies in and we -- they do
17 equipment financing. We know we can get more
18 for the equipment just from conversation with
19 other companies and the amount of equipment we
20 got and the condition it's in. So how those
21 terms will be or how long-term, I don't know
22 yet. This is just the initial proposal from
23 these people.

24 Q Have you hired a broker to help you with this
25 refinancing of Ford Steel?

1 A We have -- we're dealing with a broker. I
2 didn't say we've hired any brokers, but we're
3 dealing with brokers.

4 Q Dealing with brokers that represent you?

5 A Well, these are mortgage brokers, these guys
6 are, is what they are. And so we haven't hired
7 anybody, paid cash to a broker to represent us.
8 Not that we wouldn't but we wanted to explore
9 different options before we did that because we
10 also consulted with a real estate broker. He
11 wanted a contract. I said well, we're not sure
12 which way we're going to go yet, so he has yet
13 to produce anything of interest.

14 Q Well, let's talk about the schedules you filed
15 for Ford Steel. I'll mark this as Exhibit 2.

16 (Exhibit No. 2 marked.)

17 Q (BY MR. KINCHELOE) And if you'll hand your
18 document to the court reporter so she can take
19 that home with her. And page numbers are at the
20 top. Let's go to Page 18 of 60. You've
21 scheduled the value of this real property at
22 24800 Ford Road at about 7 and a half million,
23 right?

24 A Yeah, that's right.

25 Q Now, you -- I guess Ford Steel bought this

1 property in 2009?

2 A Yeah.

3 Q How much did Ford Steel pay for the property in
4 2009?

5 A I think it was actually in -- well, what year
6 was that we bought that? It was '06 or '07.

7 Q Okay. How much did it pay when it bought it?

8 A I think it was -- I think it was closer to a
9 million and a half I think, but I'm not
10 100 percent sure. Been a long time ago but
11 we've financed that and the group we financed
12 with -- because we did an expansion and that was
13 combined so -- and I don't remember if some of
14 that was included or not. So honestly -- but my
15 mind settles around a million and a half that we
16 acquired.

17 And that amount, the 7.5 was based on
18 pretty sure our last appraisal and now the new
19 appraisal has come in which is the numbers I
20 talked about earlier.

21 Q Okay. How much is the new appraisal of the
22 property at?

23 A It's a little over 8 million.

24 Q 8 million?

25 A Yes, sir. It was 8,050,000 or, you know, just

1 barely over.

2 Q Now, a second ago we talked about the average
3 income of H.C. Jeffries, remember?

4 A Yes.

5 Q And you said you didn't want to guess and your
6 attorney said that the monthly operating reports
7 showed pretty much the average for H.C.
8 Jeffries. And you said you agreed with that.

9 Is the same also true for Ford Steel?
10 And let me just so we're clear on the
11 transcript, do the monthly operating reports for
12 Ford Steel pretty much show the average income
13 that we can expect for Ford Steel?

14 A I don't think so. I think you would need to
15 look at the current ones.

16 Q The current what?

17 A The documents, as I said, that we had prepared
18 to show you today.

19 Q What kind of documents?

20 MS. KOENIG: Here. That's Ford,
21 right?

22 THE WITNESS: That's our backlog,
23 yeah.

24 MS. KOENIG: That's Ford? Okay.
25 These are.

1 MR. RUZINSKY: Thank you. Go ahead
2 and mark them.

3 MR. KINCHELOE: I'll mark this as
4 Exhibit 3.

5 Q (BY MR. KINCHELOE) Mr. Jeffries, will you hand
6 me your copy? The one you looked at needs to be
7 the one that's marked.

8 A Okay.

9 (Exhibit No. 3 marked.)

10 Q (BY MR. KINCHELOE) Okay. I'm handing this back
11 to you. Okay. So what does Exhibit 3 show us?

12 A It shows you the current backlog of work that's
13 in progress that's -- it's been released for
14 fabrication for the most part, almost
15 everything.

16 Q About in the middle it says "Freight-HCJ."
17 What's that?

18 A Tower Company -- H.C. Jeffries Tower Company
19 owns the semi trucks which is three of them and
20 the hotshot rigs which there's three of those
21 that we use to transport, and we have the DOT
22 authority United States wide if the sticker --
23 everything.

24 So when Ford Steel bids a job, most
25 jobs they put in the bid, they'll either go to

1 us to price the freight if there's like ten
2 loads, 40,000-pound loads to a job, whatever,
3 they get the freight priced from us or if we're
4 not available or if it's a special deal wide
5 load, whatever the case, bigger than we want to
6 haul, then they'll go to another freight
7 company. But usually because we are the
8 authority on that -- I mean, we'll go to another
9 freighting company. We'll sub it out if we have
10 to, but 99.9 percent we haul with our own
11 trucks.

12 So they get a quote from us and they
13 put it in the bid and it's billed to the
14 customer and then when Ford gets paid, then they
15 pay Tower Company for the freight.

16 Q So this is just work -- this is outstanding work
17 orders, right?

18 A Yes, that's current work in the plant in
19 progress right now and it identifies the various
20 stages that it's in.

21 Q This doesn't show expenses on it, though, does
22 it?

23 A No, that's just our production sheet is what
24 that is.

25 Q All right. How does -- how do the monthly

1 operating reports for Ford Steel and the income
2 and expenses reflected on them compare to what
3 we should expect from Ford Steel going forward?

4 A The current ones -- you mean compared to what --
5 are very good indicators of what you'll expect
6 going forward.

7 Q Okay. You said that the work for Ford Steel was
8 seasonal?

9 A What was said was seasonal -- we were talking
10 specifically around January, February, end of
11 December, January, February to fabrication as a
12 whole because a lot of it's timed around -- the
13 fabricators in Houston are timed around --
14 you've heard the term "shutdowns" in refineries.
15 We fabricate a lot for refineries, a lot. And
16 so when -- when they -- we're talking about the
17 term turnarounds -- I'm not sure I said that,
18 but the term turnaround is what I meant.

19 And when they do a turnaround, they
20 shut down production and it's a mad pace to get
21 a lot of stuff built and shipped and you're
22 feeding steel to crews and stuff like that.
23 Turnaround season ends and right by the end of
24 the year usually and then so you got a few
25 months while they're regrouping and figuring out

1 what's in their budgets, just tick off the next
2 project. So there's sometimes a delay before
3 they get rolling on the first of the year
4 schedule projects, so that's that dead time
5 we're referring to.

6 With our backlog we've gained a lot of
7 new customers. We've worked hard to get a new
8 customer base and expanded Ford Steel a lot.
9 That's how I battle, you know, the hard times is
10 diversifying, chasing, getting new clients, so
11 forth. We've been real successful in that in
12 the last few years, but it's starting -- a lot
13 of those projects are long-term plan. A lot of
14 them are starting to come through.

15 With the backlog Tower Company has
16 which on average is maybe 10 percent steel for
17 Ford, those projects are going forward at a
18 rapid pace in the next four years. So that --
19 that period we're talking about where things
20 slowed down, now we've already got work booked
21 to fill that period and those projects are going
22 to fill it and we see that being the next four
23 years. So the normal past delays we've had due
24 to the petro-chem industry and the turnarounds,
25 we have documented projects that are going to

1 fill that space. That's not going to be a
2 problem.

3 Q What type of projects?

4 A We have --

5 MS. KOENIG: For Ford or...

6 Q (BY MR. KINCHELOE) For Ford Steel, what type of
7 projects?

8 A Well, projects from Tower Company.

9 Q Okay. Tower Company is going to give Ford Steel
10 projects during that downtime?

11 A Yeah.

12 Q That's what you're saying?

13 A Exactly. We have enough work -- the Tower
14 Company's got that's released. Our backlog is
15 huge on Tower Company and 10 percent of that
16 work more or less is steel that Ford will
17 fabricate.

18 Q Has that been done historically where H.C.
19 Jeffries gets their steel fabricated by Ford
20 Steel?

21 A Yes, but never to this volume because like I
22 said, we're in the repack and tower --

23 Q How does the projected volume for that
24 intercompany relationship -- and let me phrase
25 this better.

1 How does the volume of what you expect
2 Ford Steel to fabricate for H.C. Jeffries
3 compare to the past?

4 A It's -- it doesn't and it's off the charts.
5 It's higher than it's ever been. Tower
6 Company's backlog is \$16 million right now and
7 of that, that's in the next three years,
8 projects awarded, we're in progress on several
9 of them, many of them. 10 percent of those
10 minimum, minimum is going to do steel in Ford's
11 plant over the next three years. In addition to
12 other projects that we -- that's just what we
13 have booked now.

14 Q So let's -- so you're saying 16 million of that
15 10 percent is going to be steel so that's
16 1.6 million --

17 A That's right.

18 Q -- spread over three years. That's going to be
19 about 500, 550,000 per year of steel from Ford
20 Steel?

21 A In addition to amounts that -- jobs that I don't
22 even have booked yet. That's what I currently
23 have contracts.

24 Q You're always going to have jobs you don't have
25 booked, right? I mean, you're always trying to

1 get more business.

2 A But more -- more than ever before because --

3 Q That's correct, right?

4 A -- we have the repack jobs. In other words, the
5 repack is going to bring me so much more --

6 Q Mr. Jeffries, you've got to listen to what I'm
7 saying.

8 A Yeah.

9 Q You're always trying to get more work, right?

10 A Sure.

11 Q So we can't predict -- I mean, the best way for
12 us to predict how much work you're going to do
13 in the future is to look at what you've done in
14 the past --

15 A Yep.

16 Q -- and talk about how the future may be
17 different from the past, right?

18 A However you want to spin it.

19 Q Well, I don't want -- I want to get the
20 information from you. I want you to tell me
21 what the truth is.

22 A I'm trying to tell you that.

23 Q Mr. Jeffries, I'm going to ask questions and I
24 need you to focus on my questions so that we
25 can --

1 A I am.

2 Q -- get the information out.

3 For Ford Steel if it's getting about
4 500 to \$550,000 a year in work from H.C.
5 Jeffries, what is Ford Steel's profit margin on
6 that work?

7 A Again, as I told you earlier, without the
8 documents and my CFO, that's not my area of
9 expertise, so...

10 Q Well, no, that's not what you told me earlier
11 with H.C. Jeffries. You told me the profit
12 margins were between 28 and 40 percent and you
13 knew that really well because it was your
14 business.

15 A 20 to 40 percent, yeah, I told you that's the
16 approximate margins we make. That's a wide
17 gap --

18 Q On the Tower Company, right?

19 A -- but if you ask me for by the month or
20 specifically for a month or a period, those are
21 the general margins we usually make on tower
22 business. I did tell you that, but you're
23 asking me what we've actually made. That's a
24 different story. You said how much are we going
25 to make this year --

1 Q No --

2 A -- Mark has the --

3 Q -- that's not the question --

4 A -- actual numbers. But I'm not going to just
5 blurt out numbers.

6 Q Mr. Jeffries, I'm asking what is your average
7 profit margin for Ford Steel on a given project?

8 A That's a Mark question. I don't know that
9 answer.

10 Q All right. Let's go to Page 45 on Exhibit 2 and
11 if you'll pass Exhibit 3 to the court reporter,
12 Mr. Jeffries. If you'll pass Exhibit 3 to the
13 court reporter.

14 A What page?

15 Q 45. Now, the question is going to be repetitive
16 what we talked about with H.C. Jeffries, but for
17 Tower Aviation Management, do you see these
18 payments that were made by Ford Steel? Did Ford
19 Steel receive anything for those payments?

20 A On this one page?

21 Q From 45 on to 46, there are a number of payments
22 listed by Ford Steel to Tower Aviation
23 Management.

24 A I don't know if -- I don't know if they received
25 anything for those particular payments or not.

1 Q Did Mr. McElroy also work with Tower Aviation
2 Management?

3 A Yes.

4 Q What did he do for them?

5 A He was their CPA.

6 Q Did Tower Aviation pay him a salary?

7 A I'm not sure how -- I don't recall how all that
8 is set up, but I don't remember how that's --
9 how he was compensated or what, if it was
10 just -- but I know he reviewed -- he prepared
11 the documents so he was the only person we had
12 looking at everything.

13 Q Did anyone else who worked for H.C. Jeffries or
14 Ford Steel also work for Tower Aviation
15 Management?

16 A Didn't work for them. It only had -- it had
17 employees in Austin, so...

18 Q Did it have any employees in the Houston area?

19 A No employees, no, but we did manage things out
20 of our office staff there.

21 Q Okay. But I thought you said you didn't know
22 whether Mr. McElroy was compensated by Tower
23 Aviation Management. Now you're saying he --

24 A I don't know.

25 Q -- certainly wasn't.

1 A Well --

2 Q If it didn't have any employees in Houston, I
3 mean --

4 A Well, I don't know how it was structured.

5 Q -- right?

6 A We have employees in Austin. We handled the
7 books and records and payments out of our office
8 in -- in Houston and --

9 Q Mr. McElroy wasn't an employee of Tower Aviation
10 Management, was he?

11 A No, not an employee but what I don't know is if
12 there's any arrangement between Tower Aviation
13 to compensate H.C. Jeffries Tower Company who
14 Mark is employed by for his services. That, I
15 don't know.

16 Q Who would know that?

17 A Mark would know that.

18 Q Would anyone else approve it?

19 A Nobody else would approve it. It would be --
20 any approvals would be done by me, but I have so
21 many businesses, so many employees, I don't
22 recall the details of all of them.

23 Q Did either Ford Steel or H.C. Jeffries make any
24 transfers to any of your other businesses in the
25 six months before bankruptcy?

1 A Not that I'm aware of.

2 Q Who would know that?

3 A It would be in the documents supplied during
4 bankruptcy. All of that has already been
5 disclosed and so -- and Mark prepares those
6 documents for us.

7 Q So Mark would know?

8 A Yeah. He prepared them.

9 Q Okay. Are you paid a salary by any of your
10 companies?

11 A Yes.

12 Q Which companies pay you a salary?

13 A Jeffries Tower Company.

14 Q Does Ford Steel also pay you a salary?

15 A No.

16 Q What's your salary from H.C. Jeffries?

17 A I think it's gross 5,000 a week and take home is
18 like 3,500 -- 3,400, something like that.

19 Q So gross it's about 250,000 a year?

20 A Something like that, whatever that works out to.

21 Q Why did Ford Steel file bankruptcy?

22 A It was forced to by IRS.

23 Q How did the IRS force Ford Steel to file
24 bankruptcy?

25 A Swept my accounts on more than one occasion.

1 Q Were there any other issues that caused it to
2 file bankruptcy?

3 A No. That was the catalyst that made me file.

4 Q Did the IRS sweep any of H.C. Jeffries'
5 accounts?

6 A I think they did. I don't remember. There were
7 several accounts and I believe so. They -- but
8 I don't recall exactly. That was quite a while
9 back.

10 Q Who was responsible for making sure that Ford
11 Steel paid payroll taxes?

12 A That would be me.

13 Q Okay. Why did Ford Steel not pay payroll taxes?

14 A Because it would be lack of funds at the time.

15 Q Did -- well, how many employees did Ford Steel
16 have?

17 A It varied.

18 Q Approximately?

19 A Probably the average maybe 55 up and down
20 different times.

21 Q Were you ever employed by Ford Steel?

22 A No.

23 Q Did Ford Steel issue pay stubs to employees?

24 A Yes, they get a pay stub.

25 Q Did it issue W-2s to employees at the end of the

1 year?

2 A It issued whatever it's supposed to, but, again,
3 that gets in an area I'm not real familiar with.
4 I guess -- I don't remember what you call it. I
5 know it was W-9 and W-2s and all that, but they
6 issued whatever they were supposed to issue to
7 an employee.

8 Q And those documents would show how much was
9 withheld from their wages, right?

10 A I don't prepare them, so I'm not sure what all
11 they show.

12 Q Who is responsible for preparing documents
13 showing the withholding taxes?

14 A QuickBooks, I guess.

15 Q Well, do you subcontract out with QuickBooks the
16 company, or does somebody use software?

17 A I guess I don't really understand the question.

18 Q You said that you were responsible for making
19 sure payroll taxes were paid, right?

20 A I'm president of the company, yeah -- well, Ford
21 I'm a member. I'm not -- so I'm a member, but
22 yeah, I'm responsible.

23 Q Well, we talked with -- with H.C. Jeffries, you
24 said that your wife was responsible for payroll
25 and making sure payroll taxes were taken care?

1 A I said I'm responsible for the taxes being paid.
2 I'm just saying she was the person that
3 processed it.

4 Q Okay. We'll look at the transcript later, but
5 who processes -- who physically makes sure that
6 the process of paying employees and withholding
7 taxes is done correctly?

8 A The processing is done by my wife and her
9 assistant.

10 Q Did Ford Steel give pay stubs to employees
11 showing that taxes had been withheld?

12 A They give pay stubs to employees. To my
13 knowledge, it has all the required information
14 on there. I don't know what all it shows and
15 what it doesn't show.

16 Q Do you know if the pay stubs that Ford Steel was
17 giving employees accurately showed whether taxes
18 were being withheld?

19 A Whatever they're supposed to show, I'm sure it's
20 accurate. You know, whatever it's supposed to
21 show, whatever that information is, it's done
22 like it's supposed to be.

23 Q Well, for the times when Ford Steel didn't pay
24 payroll taxes, were employees shown that on
25 their pay stubs that their payroll taxes weren't

1 being paid?

2 A Well, again, I don't know -- have the breakdown
3 of those. I'm not sure, but, again, payroll is
4 paid weekly and certain times. And I'm not
5 sure, but I know different times taxes were paid
6 quarterly. And, again, we were working with the
7 IRS following their instructions of what to do
8 and how to pay taxes that might have been behind
9 that we know we were behind on. So that's all I
10 know.

11 Q So you don't know if the pay stubs accurately
12 showed whether payroll taxes were being paid?

13 A I don't do the pay stubs.

14 Q Okay.

15 A But...

16 Q That would be your wife Mary who would know
17 that?

18 A Whatever is on there was accurate and whatever
19 is required by law, it's there.

20 Q What does Katherine Jeffries do for H.C.
21 Jeffries? I'm sorry, you said --

22 A H.C. Jeffries or Ford Steel?

23 Q -- safety -- Katherine Jeffries is in charge of
24 safety for H.C. Jeffries, correct?

25 A Yeah.

1 Q What does she do for Ford Steel?

2 A You asked me that earlier, but I'll answer it
3 again. She does the compliances, the API
4 certifications, AISC certifications, several
5 others, OSHA, safety in the plant of all our
6 employees, among many other things.

7 Q Have you looked into if Ford Steel decides to
8 sell the real property instead of refinance it,
9 how much it would cost H.C. Jeffries to lease a
10 similar space?

11 A No.

12 Q For Ford Steel do you expect that the current
13 steel tariffs are going to affect profit margins
14 at all?

15 A Not at all.

16 Q Why not?

17 A Because that's passed on to the buyer.

18 Q Do you think that's going to slow down some of
19 activity if the costs are passed down?

20 A Not at all.

21 Q Why do you think that?

22 A Because of what's on -- what's happening, all
23 the projects being put off for so many years,
24 the size of projects being done, multiyear
25 projects, big developments along the coastline

1 in the petro-chem and oil industry and we're
2 tied in with the companies doing those. These
3 projects have to be done. Things have to get
4 done regardless of the economy. Sooner or later
5 you can put them off, but they've got to be
6 done. But that steel tariff is not going to
7 hurt us a bit. Going to probably help us.

8 Q Why do you think it will help you?

9 A It changes the -- it potentially changes the
10 playing field and possibly eliminates other
11 competitors possibly because of their sources
12 for material and so forth.

13 Q Where does Ford Steel buy its steel from?

14 A Currently it buys it from distributors. We've
15 got one primary distributor we use, but there's
16 others we use when they don't have the product
17 we need.

18 Q Well, why do you think that rising steel prices
19 would eliminate competitors?

20 A Well, because you said tariffs, you know, and
21 what's happening, a lot of people are switching
22 to domestic steel only and in some cases they
23 have to -- whether they have -- they have no
24 choice I guess is a better way to put it. So
25 some of them that may have good relationships

1 with foreign suppliers that I might not have or
2 our company might not have and I have good
3 relationships with domestic suppliers, there's
4 where I can get an advantage sometimes just
5 because of customer relations.

6 Q If Ford Steel and H.C. Jeffries are able to
7 confirm Chapter 11 plans, will H.C. Jeffries pay
8 any rent to Ford Steel after bankruptcy?

9 A Yes.

10 Q How much will that rent be?

11 A I'm not sure, but I think it's in the plan.
12 Mark has those numbers, but I don't -- I'd be
13 guessing, but it's definitely paying rent.

14 Q Do you know approximately how much it is?

15 A I don't recall.

16 MR. KINCHELOE: I'll pass the witness.

17 EXAMINATION

18 QUESTIONS BY MR. RUZINSKY:

19 Q Mr. Jeffries, my name is Bruce Ruzinsky and I
20 represent Equitable Life. I have some questions
21 for you as well. During your testimony earlier
22 you indicated that the folks who had made this
23 50 percent to property value refinance offer and
24 included a component for refinancing equipment
25 as well, that they had made a presentation; do

1 you recall that?

2 A A proposal.

3 Q Okay. A proposal?

4 A Yes, sir.

5 Q Was the proposal just in writing, or have you
6 spoken with them?

7 A Representatives for me have spoken with them
8 numerous times.

9 Q Okay. And who are those representatives for
10 you?

11 A Mark McElroy.

12 Q And when did these discussions begin?

13 A I think Mark would know, but I'm going to guess
14 that it's been -- just because I have been
15 hearing the details and back and forth and he
16 and I communicate -- I've been out on the road a
17 lot working, but I want to say around
18 approximately three months ago.

19 Q All right. And did you find them, or did they
20 find you?

21 A We found them.

22 Q And how did you find them?

23 A We had a group that we had spoken with about
24 helping us restructure prior to filing
25 bankruptcy. And this particular group had

1 been -- showed a willingness to work with us and
2 very interested. And so after filing and
3 contacting -- we kept them up to date. We
4 contacted them again and asked them if they
5 would be willing to participate in us
6 restructuring.

7 Q So if I understand your testimony correctly,
8 this is a group that you had communications with
9 before the bankruptcy filing in connection with
10 your prebankruptcy restructuring efforts; is
11 that right?

12 A The group that brought this group to the table.

13 Q Okay.

14 A This group -- so we contacted this group and
15 what they came back and said we're more
16 interested in the -- perhaps the equipment and
17 maybe even some other types of financing, but
18 the -- in terms of the real estate, we would
19 rather bring some other people we work with to
20 the table.

21 So they brought two different groups,
22 called and visited with them, told us they had
23 introduced us or our company, my reps and their
24 reps to begin discussions. So we did and
25 they've done their diligence. They've came and

1 looked at the facility. Certain people did.
2 They reviewed the financials, all the bankruptcy
3 issues, the debts. They've reviewed our work
4 history and our work loads and our backlogs and
5 said yeah, we are interested.

6 And, of course, it was many more weeks
7 of questioning and supplying documents and so
8 forth to both these companies. But within a
9 week of each other, they both sent us a written
10 proposal.

11 Q So do I understand correctly that one company's
12 proposal was for the real estate and other
13 company's proposal was for the equipment --

14 A No.

15 Q -- or refinancing?

16 A Both were for real estate.

17 Q Okay.

18 A But one of them also included the equipment.

19 Q Okay.

20 A And that was for -- they said we'll do a million
21 on the equipment even before we got the
22 appraisal.

23 Q Okay.

24 A And we said well, we can do better than that, so
25 that's the group -- that particular group is the

1 one we're meeting with next week. And the
2 second group we're meeting with I think at the
3 end of next week.

4 Q Okay. And so when you testified earlier that
5 the refinance offer was, you know, a little over
6 \$4 million on the real estate, was that from one
7 of the two groups or both of the groups?

8 A Ironically both of them offered 50 percent of
9 the appraised value that they had in their
10 possession which was, like I said, almost
11 exactly 8 million, slightly over. So both of
12 them offered 50 percent. Both of them said
13 we'll do upwards of 60 and in conversations
14 since then with them, they both said that was
15 just our first -- one said that was our first
16 offer. We're definitely willing to work with
17 you, we'll visit and see what you need.

18 So we know they're negotiable. Our
19 thoughts based on conversations are there's just
20 one in particular because of turns, interest
21 rates and so forth, it's more favorable to us.
22 It happens to be the one that also offered a
23 million for the equipment. Our thoughts are
24 we're going to at least meet them halfway and
25 maybe get up to 4.5 on the property.

1 And the equipment, we have other
2 people to go to, but we feel like we're going to
3 have the appraisal when they show up and they
4 might do better on the equipment as well.

5 Q So the party that has offered to refinance both
6 the real estate and the equipment, are they
7 prepared to refinance just based on the real
8 estate if you decide to go a different route --

9 A Absolutely.

10 Q -- on the equipment?

11 A Yeah. They just said usually we don't get into
12 equipment, but we'll give you a million. It was
13 that type of deal. We want the real estate. So
14 both cases, they're both strong proposals, 4
15 million. We told them here is what we need to
16 get because we need to take -- we need to make
17 this work.

18 We're wanting to take -- ultimately
19 we're trying to get the IRS out of Ford Steel
20 100 percent from day one. That's our goal.
21 That's what we're working toward. But we're
22 confident that we're at least to the point based
23 on conversation with them, projects that we feel
24 fairly certain we're going to get to the 6
25 anyway, 5 with them and, you know, potentially

1 lead to 6, so...

2 Q And when you say 6, is that just real estate, or
3 is that real estate and equipment?

4 A That's combined. That's combined.

5 Q Combined?

6 A Yes, sir.

7 Q Okay. You testified earlier that you were
8 dealing with mortgage brokers also. Which
9 mortgage brokers are you dealing with?

10 A These are mortgage broker companies and maybe I
11 don't recall them right, but I mean, these that
12 I'm -- the two that I'm talking about are
13 mortgage broker --

14 Q Is that who you were referring to, mortgage
15 brokers?

16 A Yes, sir.

17 Q They're not --

18 A I'm sorry. Let me -- I get those terms mixed
19 up, but they're refinancers.

20 Q So when I hear a reference to mortgage brokers,
21 I think that they're the people who go find the
22 folks who will provide the mortgage. They're
23 brokers.

24 A Right.

25 Q They don't provide the mortgage themselves and

1 so if -- is that a correct characterization of
2 your situation here?

3 A No. These are the actual companies that do it.
4 I call them mortgage brokers because I don't
5 deal in that stuff all the time and I just may
6 be referring to them wrong, but I understand
7 what you mean. A broker finds the deal and puts
8 the deal together. I'm just referring to --

9 Q And I'm just trying to understand the facts and
10 so from the testimony you just gave, I think I
11 understand and please tell me if I'm wrong that
12 when you were referring to mortgage brokers, it
13 was actually the people who are offering to make
14 the loan --

15 A Yes, sir.

16 Q -- not the people who are finding the people to
17 make the loan?

18 A Yes, sir. These are actual -- for lack of a
19 better term, these are the financing companies.

20 Q Okay. Okay.

21 A I suppose the first person that I mentioned in
22 the group in Houston acted as the broker to
23 bring these people to the table. That would be
24 the correct way to say it.

25 Q All right. When you were asked a little while

1 ago about whether H.C. Jeffries will be paying
2 rent to Ford Steel after the bankruptcy plans
3 are confirmed and you said yes --

4 A Yes.

5 Q -- I believe, would that rent be a market rent,
6 or would it be different than a market rent?

7 A Well, I guess it would be, you know, the market
8 rate. You mean fair market value?

9 Q Yeah, fair market rate.

10 A Yeah, absolutely, absolutely.

11 Q Okay. Do you recall your testimony earlier
12 about -- Mr. Kincheloe asked you questions about
13 seasonality?

14 A Pardon me?

15 Q About seasonality in your business?

16 A Yes.

17 Q And I believe your explanation was that
18 historically there's been seasonality because of
19 the types of energy-focused clients that you
20 had --

21 A Yes.

22 Q -- and now you've built up a stock of more
23 diversified clients and you feel like -- I
24 understood you to be saying you really don't
25 have seasonality now?

1 A That's correct.

2 Q You've got that beat; is that right?

3 A We beat that, yes.

4 Q Let's go to Exhibit 2, please. It will be
5 Page 21 of 60. I think you're there at that
6 page; is that correct?

7 A Yes, sir.

8 Q So Ford Steel -- and these are Ford Steel
9 bankruptcy schedules. And you signed these
10 schedules, right?

11 A Probably. I'm guessing.

12 Q I'm showing you a page where you did. If you
13 look at Page 55, you signed them?

14 A I sign a lot of stuff. 50 which?

15 Q 55.

16 A Okay.

17 Q Looks like you signed them on September 25 of
18 last year.

19 MS. KOENIG: That's your electronic
20 signature you signed next to it.

21 A Okay. Yeah.

22 Q (BY MR. RUZINSKY) Go back to Page 21 if you
23 would, please, sir. Ford Steel at Page 21 is
24 scheduling my client's secured claim at a total
25 amount of \$2,658,000; do you see that?

1 A Yes, sir.

2 Q Okay. And would you agree with me that that's
3 what the debtor Ford Steel is representing to
4 the Court what's owed as of the date of the
5 bankruptcy filing?

6 A I agree with you. To my knowledge, that's the
7 correct amount.

8 Q All right. And do you know how that number was
9 arrived at by Ford Steel?

10 A As I recall, it was arrived at after some
11 discussions and negotiations on behalf of our
12 attorney and your -- and your group to agree
13 upon an amount including -- there was a first
14 amount they wanted for -- and if this is before
15 that time, I apologize. I don't have stuff to
16 confirm this, but I believe I'm thinking --

17 Q And this is back in September of last year, this
18 document was filed.

19 A So this is prior to the settlement amount -- or
20 not settlement, but the agreed upon amount?

21 Q I don't think we have an agreed upon amount yet.
22 I wish we did. But I'm -- you know, this was
23 filed --

24 A Then I'm not sure what that represents.

25 Q Okay.

1 A I...

2 Q Who would know that?

3 A Mark.

4 Q All right. Are you -- have you ever heard the
5 term before "oversecured creditor"? You ever
6 heard that term before?

7 A I don't think so.

8 Q You understand that there has been interest
9 that's continued to accrue after the bankruptcy
10 was filed?

11 A Yeah.

12 Q Okay. Do you understand, too, that there have
13 been attorneys' fees incurred by Equitable in
14 connection with pursuing its claim in this
15 bankruptcy case?

16 A I understand that.

17 Q And would you agree with me that the number
18 that's contained in the bankruptcy schedule of
19 \$2,658,000, whether it's a right number or
20 whether it's a wrong number, does not include
21 the postbankruptcy interest and attorneys' fees?

22 A Understand. I agree with that.

23 MR. RUZINSKY: Let's go ahead and mark
24 these. We're on Exhibit 4 now?

25 THE REPORTER: Yes.

1 Q (BY MR. RUZINSKY) This will be the Third
2 Amended Disclosure Statement for Ford Steel.

3 (Exhibit No. 4 marked.)

4 Q (BY MR. RUZINSKY) Mr. Jeffries, I'm handing you
5 a copy of Exhibit No. 4 which is the Ford Steel
6 Third Amended Disclosure Statement.

7 MR. RUZINSKY: So if you two can
8 share.

9 A Do I give her this one or do I give it to --

10 Q (BY MR. RUZINSKY) You hold it for the moment.

11 A Okay.

12 Q If you would turn, please, to Page 19 and so up
13 at the very top, it's Page 19 of 41.

14 A Okay.

15 Q Okay. So six lines down there's a sentence that
16 says: "The debtor believes it can sell the
17 property within six months to one year for at
18 least \$5.5 million as it appraises for almost
19 \$8 million"; do you see that? Six lines down on
20 Page 19 of 41.

21 A Oh, there. I see that.

22 Q Okay. And you're referring this to the real
23 estate, right, not the equipment?

24 A I believe that's correct. It says "the
25 property" so that's the real estate.

1 Q Right. Okay. So in the proposals that you've
2 received, it sounds like you've gotten a
3 proposal in the \$4 million range or a couple of
4 proposals in the \$4 million range for the real
5 estate and you're going to try and get that
6 number up; is that right?

7 A That's right, to refinance it.

8 Q To refinance it.

9 A Yes.

10 Q Do you think you can get the same amount,
11 \$5.5 million out of a refinance as you can with
12 a sale?

13 A We can get more out of a refinance than a sale.

14 Q Okay. So if you felt like you can get
15 \$5.5 million out of a sale, you think you could
16 get more than that out of a refinance of the
17 real estate?

18 A Say that again?

19 Q So if -- am I correct that you believe that you
20 can get more than \$5.5 million out of a
21 refinance of the real estate?

22 A My personal belief is whether it's equivalent,
23 combined or whatever, we're going to be able to
24 raise more funds to apply to the debts by
25 refinancing than selling the property.

1 Q Let's take them one at a time. Let's just talk
2 about the real estate to start with. You've
3 indicated you got an offer for a little more
4 than \$4 million. You think you can get more
5 just on the real estate. Do you think on a
6 refinance, you feel good that you could get
7 \$5.5 million or more just out of a real
8 estate -- a refinance of the real estate?

9 A Not sure yet. That remains to be seen how much
10 we can get, you know, but I know I can get more
11 than the offer that they have now. I know I can
12 get more than the 4.

13 Q Get more than the 4, okay.

14 You also state a few lines down on
15 this same page that it says: "The debtor is
16 interviewing brokers, including Bill Ginder, a
17 senior VP at Brokerage Services at Caldwell
18 Companies to market the property."

19 So have those -- are those discussions
20 still going on, or have those stopped?

21 A Those discussions -- that person brought
22 someone -- he didn't bring them. He informed us
23 he had a client that was interested. And when
24 he revealed the amounts they were talking about
25 and what he thought he could do, it was -- it

1 wasn't going to meet our needs. So the stronger
2 option came to refinance. We've asked him to
3 bring better offers to the table to consider.
4 He's yet to do so.

5 Q When was the last time you spoke with him?

6 A I haven't. Mark spoke with him.

7 Q Do you know the last time Mark spoke with him?

8 A I don't know how long ago that was.

9 Q Couple of sentences down from there still on
10 Page 192 says: "If the debtor is not able to
11 lease the property from the new owners, it shall
12 lease other property around Porter, Texas."

13 And you've testified earlier, am I
14 correct, that you're not pursuing that right
15 now; is that right?

16 A No, we're not pursuing that now because that's
17 not the -- in our best interest to accomplish
18 what we want to accomplish to pay off the debts
19 to Equitable and the IRS. That's not the way to
20 do it.

21 Q Now, the next sentence says: "The lease of
22 property is anticipated to be \$50,000 per month,
23 based upon the rental rates of comparable
24 properties in Porter and surrounding areas."

25 So my question to you is when Ford

1 Steel leases the property to H.C. Jeffries, is
2 H.C. Jeffries going to be paying \$50,000 a
3 month?

4 A Well, you're talking about -- that refers to, if
5 I'm not mistaken, rent for the whole facility,
6 the plant, Ford Steel and that would be the
7 amount for six acres, the plant, everything.
8 H.C. Jeffries Tower only needs a place not even
9 a quarter of an acre to park its equipment.
10 It's just a piece of property that it stores its
11 equipment on. Jeffries Tower is not
12 fabricating. Ford Steel has the facility. So,
13 of course, it wouldn't pay \$50,000 to Ford Steel
14 to rent a lot to park trucks and equipment on.
15 That's not realistic.

16 Q So when you said earlier that H.C. Jeffries
17 would pay a market rate to Ford Steel --

18 A For the office space and so forth.

19 Q Okay. And so what is your understanding of a
20 market rate?

21 A Well, let's say that market rate would include a
22 half acre of property to park equipment on,
23 let's say an acre at the max, it's not even a
24 acre to spare. It all fits on a half acre. And
25 then out of the 10,000 square foot office

1 building, it would rent office space in those
2 offices at about at the max, it uses maybe 2,000
3 square feet tops of that office facility. So
4 whatever the fair market rate for office space
5 in Porter, Texas of 2,000 square feet within a
6 building at a half acre property to park trucks
7 and equipment on, whatever the fair market that
8 is, be more than happy to pay that.

9 Q You don't have a number in mind, but that's your
10 yardstick; is that correct?

11 A I don't have a number in mind. I -- if I had to
12 toss one out, I would say five grand a month,
13 something like that.

14 Q Okay.

15 A But I may be wrong. It may be higher and we're
16 glad to pay it whatever it is.

17 Q Is there any signage out at the property now
18 about it being for sale or inviting finance
19 offers?

20 A No, because it's not for sale yet. It would be
21 a waste. It would just not make good business
22 sense, but through the proper channels, we -- as
23 one of the things we've talked about, we want to
24 do it the proper way.

25 Q Do you understand that the plan that's been

1 filed by Ford Steel includes a provision that if
2 payments are not made after the required notice
3 is given and if the payment is still not made,
4 that parties with liens on the property can
5 exercise their lien rights through foreclosure?

6 A I understand.

7 Q And so if that were to happen -- hope it doesn't
8 happen, but if that were to happen, would the
9 debtor stand aside and let that foreclosure
10 process go forward?

11 A The debtor would follow the advice of his
12 attorney and the requirements of the Court.

13 Q So you don't have an answer to the question
14 other than you don't know the answer to the
15 question now, you would just seek out the advice
16 of your attorney?

17 A You asked what we would do and I would follow
18 the advice of my attorney. That's what I do.
19 I -- and whatever the Court says I have to do.

20 Q All right.

21 A That's above all. I've got to follow the Court,
22 what the judge says.

23 Q There's also a statement at Page 34 of the Third
24 Amended Disclosure Statement that says: "The
25 debtor shall attempt to resolve all objections

1 to claims prior to confirmation."

2 A I'm sorry. What page?

3 Q Page 34. It's in the first full paragraph. 34
4 of 41.

5 A And it says what, which part?

6 Q One, two, three, four, five lines down, the
7 first full paragraph.

8 MS. KOENIG: "The debtor shall
9 attempt."

10 Q (BY MR. RUZINSKY) You see that?

11 A I see that.

12 Q What -- we've had some attempts made to try and
13 resolve my client's claim and they seem to have
14 been stalled out. And so I'm trying to
15 understand what the debtor Ford Steel intends to
16 do between now and prior to plan confirmation to
17 resolve any of its issues with my client's
18 claim.

19 A I only understand -- I don't understand what
20 you're talking about. What --

21 Q I'll try and rephrase it for you. So you had
22 indicated earlier that you understood that there
23 was some discussions going on between myself and
24 your attorney about my client's claim; is that
25 right, about the amount of my client's claim?

1 A Yes, as I recall, there's been some discussion
2 about that.

3 Q Right, right. And I'm telling you that those
4 have stalled out and I would like to know what
5 the debtor intends to do between now and prior
6 to plan confirmation later this month, this plan
7 confirmation hearing the latter part of the
8 month to try to resolve the amount of my
9 client's claim.

10 A My understanding was that after discussions, you
11 on behalf of your client had issued an amount
12 that you were seeking.

13 Q We've got an amount in our proof of claim.

14 A And I -- I'll need to consult my attorney on
15 that. I thought that was the amount and we've
16 all agreed on that amount. That was my thought,
17 but I may be mistaking that amount for something
18 else, so...

19 Q I would encourage you to talk to your lawyer.
20 We would be happy to agree upon the amount in
21 our proof of claim --

22 A Okay.

23 Q -- which was an amount as of the bankruptcy
24 filing date and then it would need to be
25 adjusted for the interest that's accrued and the

1 attorneys' fees that have accrued as well. But
2 please, by all means talk with your attorney and
3 visit with her about that.

4 A Okay. I will.

5 Q I'm now going to ask you to turn, please, to
6 Exhibit A of -- of Exhibit No. 4. It is the
7 one-page liquidation analysis. It says at the
8 top right-hand corner Page 1 of 1 and it comes
9 immediately after Page 41 of 41.

10 A Okay.

11 Q The middle column of that chart says "Fair
12 Market Value" and it's got a footnote, Footnote
13 No. 1 and when you drop to Footnote No. 1, it
14 says: "As of date of filing"; you see that?

15 A Yes.

16 Q And my question to you is are you referring
17 there to the date of filing the bankruptcy case,
18 or are you referring to the date of filing the
19 Third Amended Disclosure Statement? Of course,
20 there's a better part of the year that's
21 different there or difference.

22 A I would have to -- I would have to consult with
23 Mark to determine that.

24 Q Okay.

25 A I'm not sure.

1 Q Next question and I think it's an error here,
2 but I want to get your input on it and have you
3 answer the question. Under real estate which is
4 Item No. 3 in this chart, the very last column
5 is liquidation value and you've got zero down
6 for that. And there's a footnote on that as
7 well which talks about, you know, various claims
8 filed asserting liens against the property. But
9 I think the reference -- and would you agree
10 with me that the reference to a zero value for a
11 liquidation value is incorrect because the
12 property has some value when it gets liquidated?
13 You can get some money for it, right?

14 A I'm not good at these charts, but to your
15 question, it's absolutely worth something and
16 the value would not be zero of the property. I
17 think it's a mistake or a misprint or unless
18 it's some other thing I'm not aware of.

19 Q Okay.

20 A But just the short and sweet of it is, yeah, the
21 property is worth something. Liquidationwise,
22 it's not near what we could get by borrowing.

23 Q And so do you have a -- an understanding whether
24 it be general or specific as to what the real
25 property would be likely to go for in a -- in a

1 liquidation sale versus a fair market value
2 sale?

3 A It would be very low and everybody, all parties
4 would be disappointed. And the reason I say
5 that is because of a variety of things. One,
6 just knowledge of what happens to other steel
7 plants when they've been shut down and the
8 location of it is not ideal to us, but in the
9 industry it's not as desirable as people that
10 fabricate steel often is. It would be a fire
11 sale situation and just my knowledge of what
12 people buy those for in other similar
13 situations, it would be a fraction of what we
14 get the way we're pursuing it now. And the
15 debts wouldn't be satisfied and my goal is to
16 take care of all the debts.

17 Q Do you think it would be more than a million
18 dollars or less than a million dollars?

19 A I think it would be -- it would be more than a
20 million.

21 Q Do you think it would be more than two million
22 or less than two million?

23 A No, I don't.

24 Q So you think it would be more than a million but
25 less than \$2 million on a liquidation value?

1 A That's my personal opinion.

2 Q All right.

3 A I haven't gotten prices from anybody, but it's
4 an opinion.

5 Q You talked about a number of employees and I
6 just can't remember if you were talking about
7 just the H.C. Jeffries side or the -- or just
8 the Ford Steel side or both, but I'm going to
9 ask you, you know, some of the folks on the Ford
10 Steel side here. So Chad Jeffries, what does he
11 do?

12 A Sales, he's a salesman for Ford Steel.

13 Q All right.

14 A You said just on the Ford Steel side?

15 Q On the Ford Steel side, yes.

16 A Yes, sir.

17 Q Mary Jeffries, does she do the same thing for
18 Ford Steel as she does for -- at H.C. Jeffries?

19 A Yes.

20 Q Okay. It's accounting, bookkeeping, office
21 managing?

22 A Yes.

23 Q Okay. Any other employees that are related to
24 you at Ford Steel?

25 A Chad is my son and Katherine is my daughter.

1 Q What does Katherine do for Ford Steel?

2 A She's Kat Allen and she does the -- the one I
3 spoke of earlier, she does all the
4 certifications for the plant, safety, so forth.

5 Q All right. And it looks like Mary's
6 compensation from Ford Steel is either 12 or
7 \$15,000 a month?

8 A No.

9 Q No?

10 A She makes 3,500 a month before taxes. That's
11 gross from Ford Steel.

12 Q All right. So I'm -- I'm looking at the -- and
13 let's go ahead and mark this. This is the
14 monthly operating report for Ford Steel. It is
15 one that was filed on July 25th, so it's the
16 last monthly operating report. It's Docket
17 No. 132.

18 (Exhibit No. 5 marked.)

19 Q (BY MR. RUZINSKY) This will be Exhibit No. 5.
20 And the very last page --

21 MR. KINCHELOE: Mr. Jeffries, will you
22 make sure I handed you the one for Ford Steel
23 and not H.C. Jeffries?

24 THE WITNESS: Ford Steel.

25 MR. KINCHELOE: Okay.

1 A Which page, last page?

2 Q (BY MR. RUZINSKY) Last page, yes. And so this
3 is the MOR-9 payments to insiders and
4 professionals and the second listing -- there
5 are listings past that, but the second listing
6 on this schedule is for Mary Jeffries' gross
7 payroll and starting in September shows \$12,000,
8 October \$12,000, November \$12,000, December
9 \$15,000, January and February \$12,000 each,
10 March \$15,000, April and May \$12,000 each and
11 June \$15,000.

12 A Well, that's way off. She makes \$3,500 a
13 month -- I mean, a week -- 3,500 a week.

14 Q Okay. And I see Chad Jeffries is listed at
15 3,500 --

16 MR. KINCHELOE: Wait, wait, you're
17 saying she makes -- Mary Jeffries --

18 A Oh, this is a month. Oh, I'm sorry.

19 Q (BY MR. RUZINSKY) It's a month.

20 A Oh, I'm sorry. She makes 3,500 a week.

21 Q A week? Okay.

22 A Yes, sir. I misunderstood.

23 MS. KOENIG: Understand there are some
24 pay periods where there's five weeks in a month.
25 That's why it differs.

1 MR. RUZINSKY: I think I was confusing
2 numbers. I heard a week and numbers with month.

3 MR. KINCHELOE: Mr. Jeffries
4 originally said she makes 3,000 a month.

5 MS. KOENIG: I understand. So I'm
6 just saying the next question is going to be why
7 is it 12,000 one month and 15,000 the next and
8 that's because they're paid weekly and there's
9 five weeks in some months and --

10 MR. RUZINSKY: I understand, I
11 understand.

12 Q (BY MR. RUZINSKY) Okay. But it is 3,500 --

13 A A week.

14 Q -- a week?

15 A I apologize. I misunderstood.

16 Q That's all right. We got that cleared up. Take
17 a break. Sure.

18 (A recess was taken.)

19 FURTHER EXAMINATION

20 QUESTIONS BY MR. KINCHELOE:

21 Q All right. Mr. Jeffries, while we were off the
22 record, Mr. Ruzinsky said he had no more
23 questions so he passed back to me. He was
24 talking about this refinance before we took a
25 break. About how long do you expect to know

1 whether this is a deal that you're going to be
2 able to go through with or whether it's going to
3 disappear?

4 A This -- the first offer from the first company?

5 Q Any offer. Let me rephrase the question. It
6 was a bad question.

7 How much more time do you think that
8 you need to figure out whether you will be able
9 to refinance all of the debt between H.C.
10 Jeffries or I guess with Ford Steel?

11 A You say refinance all of the debt?

12 Q You're right. That -- my second attempt wasn't
13 much better than my first. Try again.

14 A Okay.

15 Q You've been talking about these refinance
16 proposals with Ford Steel.

17 A Yes.

18 Q How much time do you need to figure out whether
19 you're going to be able to go forward with
20 these?

21 A With the refinance deal? I -- if the question
22 is whether more time till we get a closure or
23 whether I'm going -- because my plan is to go
24 forward with these deals, one of these deals.

25 Q Right. And I'm struggling here to ask a

1 question which is a problem for me. You had
2 said it was 90 days was what they needed to
3 close, right?

4 A I said -- yes, they said that they felt that it
5 would be no problem closing within 90 days. And
6 I said I don't want to limit myself to that, but
7 I feel like that's true because they've done a
8 lot of diligence already, these particular
9 companies. If I bring another company in,
10 that's what I meant by I want at least four
11 months, but I think within that timeframe, I'll
12 get this done. There's -- there are -- they
13 call them NEPA studies, different things you
14 have to do which we've already done and if
15 they'll accept the old studies, then we're okay.
16 But if they want a new one, then that could
17 delay it a few weeks, but I think a reasonable
18 amount of time is four months and I think much
19 sooner is possible.

20 Q So you're saying close within four months from
21 today?

22 A What I'm saying is they told us -- these two
23 particular ones, both of them said that -- we
24 told them the time we're looking at, what we
25 were proposing to the Court, timeframe to do it

1 and they said you're not going to have to go
2 that far. And I believe them because, you know,
3 I know of other deals that closed much sooner.
4 So we have a lot of stuff in play. So I'm
5 thinking three to four months, reasonable
6 period, get it close to make the decision if
7 we're going to go forward. We've pretty much
8 made that decision already that this is the way
9 we want to pursue. I don't know which company
10 yet though.

11 Q Let me -- I'm trying to be very narrow. In my
12 mind, I'm thinking this process is you're going
13 to negotiate, you're going to agree on some
14 number and some terms, then you're going to sign
15 a contract and then there's going to be a period
16 after signing a contract where everyone does
17 their due diligence and then after everyone is
18 satisfied, you're going to have a closing date?

19 A Yes.

20 Q My understanding from what you're saying is that
21 from today until the closing date is four months
22 max; is that correct?

23 A I believe that's correct.

24 Q Okay. How much time do you think that you need
25 to get from today to the date that the other

1 side signs a contract saying that they're going
2 to go forward?

3 A On my side of the deal, I don't know how long
4 they take to sign contracts and prepare them and
5 go through their attorneys. That can take a day
6 or two, but on my side of it after, for example,
7 the one group that I'm meeting with next week
8 if -- if they come up to the number that we're
9 agreeable to at least on the real estate, then I
10 could, you know, on my side agree to move
11 forward with that particular one as early as in
12 a week.

13 Q Okay.

14 A So that's my hopes, that we'll come to terms and
15 be able to do that. But I'm meeting with the
16 second one same week and if -- and we're still
17 looking for others and if one comes and says
18 whoa, whoa, whoa, time out, I'll make you a
19 better deal, then certainly I might delay that
20 decision for a few weeks because they'll have to
21 have time to catch up. But on their side, how
22 long to come to contract, it's hard to say,
23 but...

24 Q So --

25 A Does that kind of...

1 Q And let me explain to you where we're coming
2 from. Mr. Ruzinsky and I and your attorney and
3 you talked right before we went on the record
4 and the general discussion was whether we should
5 ask for a continuance of the confirmation
6 hearing to give us a little more time to figure
7 out whether these refinances are going to go
8 through. I guess in plain language, I'm
9 wondering whether if the Court continues the
10 confirmation hearing to sometime in October,
11 will October be enough time for the whole world
12 to know whether you're going to be able to get a
13 signed contract to refinance or not?

14 A I -- I think so. What's the date now that we're
15 set for?

16 MS. KOENIG: August 24th.

17 A 24th, yeah, we continue to October --

18 Q (BY MR. KINCHELOE) It would be up to the
19 judge's discretion.

20 MS. KOENIG: We could set it at the
21 same time as the cash collateral hearing.
22 That's in October.

23 A When is the cash collateral hearing?

24 MS. KOENIG: I don't recall what date.

25 Q (BY MR. KINCHELOE) Let's focus on the last of

1 my questions and then we'll talk. Do you
2 know -- silly question, but I want to make sure
3 we're clear. The people you're talking about
4 refinancing with, are they going to want a lien
5 on all of the assets of H.C. Jeffries and of
6 Ford Steel?

7 A No, not at this point. It's just Ford Steel.

8 Q Okay.

9 A To finish your first question, yes, I think an
10 extension would be good and if we could get it,
11 the more, the better obviously in my case. But
12 the end of October perhaps would be good. So I
13 agree -- I think I can get this commitment to
14 the point that everybody would be happy with it
15 by that time, so --

16 Q Understood.

17 A -- that's that.

18 Q And I appreciate that. The lien on the assets
19 of Ford Steel have the -- I'm sorry -- has --
20 have the counterparties run a title check on the
21 real property for Ford Steel yet?

22 A They've run a lot of stuff. I believe they
23 have, yeah, I mean, because --

24 Q Do you know?

25 A I don't know for sure, but...

1 Q Fine. I have no further questions.

2 MR. KINCHELOE: Bruce, do you have any
3 additional questions?

4 MR. RUZINSKY: Maybe one.

5 FURTHER EXAMINATION

6 QUESTIONS BY MR. RUZINSKY:

7 Q The parties that are -- that you're in
8 discussions with for a refinance of the
9 property, do they have the funds -- do you know
10 if they have the funds to do it once they sign
11 it or do they then have to go line up the funds
12 to lend to you on the refinance?

13 A I have been -- our research of them -- you never
14 know everybody's back, but yes, I truly believe
15 they do. But I can't...

16 Q So you believe they have the money to lend
17 already and don't have to go out and raise it?

18 A Yes, these -- these people do this a lot and so
19 yeah, I don't -- there's no question they have
20 to go -- they have the funds. That's what's
21 been represented to us, let's put it that way.

22 Q Okay. All right. Thank you.

23 MR. KINCHELOE: Do you have any
24 questions before we conclude?

25 MS. KOENIG: No.

1 MR. KINCHELOE: Okay. All right.

2 Mr. Jeffries, I'll say it again before we leave,
3 but thank you for coming in today. We
4 appreciate the opportunity to talk to you and
5 that concludes the examination.

6 THE WITNESS: Okay.

7 MR. RUZINSKY: I appreciate it as
8 well. Thank you.

9 * * * * *

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[illegible]

1 I, HERBERT C. JEFFRIES, have read the foregoing
2 deposition and hereby affix my signature that same is
3 true and correct, except as noted herein.

4 _____
5 HERBERT C. JEFFRIES

6 Job No. 369365
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

IN RE:) CASE NO. 17-35027-H5-11
) (Chapter 11)
H.C. JEFFRIES TOWER) JUDGE RODRIGUEZ
COMPANY, INC.)
) CASE NO. 17-35028-H5-11
Debtor.) (Chapter 11)
) JUDGE RODRIGUEZ
FORD STEEL, LLC)
) Jointly Administered under
Debtor.) CASE NO. 17-35027

REPORTER'S CERTIFICATION
2004 EXAMINATION OF
HERBERT C. JEFFRIES
August 8, 2018

I, CYNTHIA D. BARNETT, Certified Shorthand
Reporter in and for the State of Texas, hereby certify to
the following:

That the witness, HERBERT C. JEFFRIES, was
duly sworn by the officer and that the transcript of the
2004 Examination is a true record of the testimony given
by the witness;

I further certify that pursuant to FRCP Rule
30(f)(1) that the signature of the deponent:

____XX____ was requested by the deponent or a
party before the completion of the deposition and
returned within 30 days from date of receipt of the
transcript. If returned, the attached Changes and
Signature Page contains any changes and the reasons
therefor;

1 _____ was not requested by the deponent
2 or a party before the completion of the deposition.

3 I further certify that I am neither attorney
4 nor counsel for, related to, nor employed by any of the
5 parties to the action in which this testimony was taken.

6 Further, I am not a relative or employee of
7 any attorney of record in this cause, nor do I have a
8 financial interest in the action.

9 Subscribed and sworn to on this the 17th
10 day of August, 2018.

11 *Cynthia D. Barnett*
12

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